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Annual Report 2003

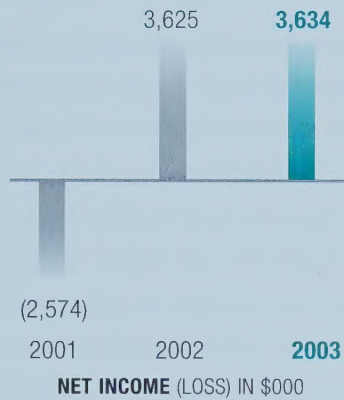
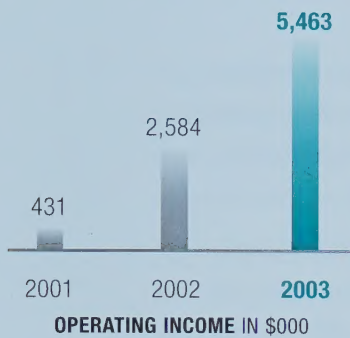
wireless solutions

Financial

CORPORATE PROFILE Glentel is a leading provider of wireless communications solutions in North America. Our Wireless Business Division focuses on wireless communications solutions for business, industry, and government. Our WirelessWave Retail Division, through its WirelessWave retail mall-based stores in British Columbia, Alberta, Manitoba, and Ontario, focuses on the cellular retail market in Canada by providing consumers with choice in network service provider, cellular phones, rate plans, and accessories.

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Highlights 2003



	2003	2002	2001
SALES	\$ 75,058	\$55,937	\$49,386
OPERATING INCOME	\$ 5,463	\$ 2,584	\$ 431
NET INCOME (loss)	\$ 3,634	\$ 3,625	\$ (2,574)
NET INCOME (loss) per share – basic	\$ 0.45	\$ 0.45	\$ (0.32)

Years ended December 31 (In thousands of dollars, except per share amounts)



THOMAS E. SKIDMORE

Chairman, President
and Chief Executive Officer

THE WIRELESS INDUSTRY IN CANADA has enjoyed another great year of healthy growth in both the consumer and business sectors. Both the WirelessWave Retail Division and the Wireless Business Division of the company were well positioned this year to participate in this wireless growth.

Our management team is delighted that the overall performance of the company in increased sales and profitability met and exceeded internally set targets. It has been a banner year for us, with overall sales for the year increasing 34% and with an operating income of 7.3% of sales.

Our Wireless Business Division stayed the course this past year and has made strategic advances in increasing its performance. The process has included refining its enterprise sales, rentals, product lines, service excellence, knowledge, and training, which have added both breadth and depth to this division. Included in the operational refinement was the merging of our Downsview and Hamilton business centres into one large centre in Hamilton, Ontario. The refinement continued with the year-end acquisition of Mobilcom Wireless Inc. based in Edmonton, Alberta. Along with its thirty team members, this welcome addition to Glentel has contributed much needed experience and expertise, while bringing to the Wireless Business Division a modest backlog of sales orders and services under contract. The merging of the team members is complete, and we are already experiencing positive synergies. This was one of the remaining core pieces to the puzzle, providing the enhanced engineering, product, and service knowledge so desperately required to retain our national leadership position in providing enterprise wireless solutions to the business and industry segments.

We have recently won some significant contracts with key governments and corporations, for delivery in 2004. This is testament to Glentel's growing reputation in its ability to deliver unique, efficient wireless solutions that meet the ever-changing requirements where transporting data from point to point is demanded anytime, from anyplace, and anywhere.

For our WirelessWave Retail Division, the choice, knowledge, value, and service that we provide to our consumer mall customers have been a competitive advantage. Our distinct offering and target-market segmentation have gained a wide consumer acceptance in every region in which we operate. Our team members' knowledge of the global wireless industry, Canada's wireless networks, phone functionality, and competitive price advice has contributed to a satisfying customer experience.

Our management team provides leadership every day with a long-term philosophy of consistent, profitable growth. We are building our business by differentiation in the marketplace, maintaining strong relationships with our supply partners and investing in our people, who provide a great depth of key knowledge to service and care for our customers.

As you review this year's report, I trust you will gain an understanding of how the pieces of the puzzle are fitting nicely into place for the future of our Glentel divisions. I am very proud of our management team for their individual and collective accomplishments and contributions. By our concentrated focus on delivering tangible differential value to our customers, our market share has increased, earnings have increased, and, above all, shareholder value has dramatically increased. I am proud to say that our company is well poised to go to a new level of performance excellence with a great team in place.

I extend special thanks to my management team and to our many team members across the country who have given their very best this year to serve their company and customers. The positive results are a by-product of their commitment and dedication.

To our customers, supply partners, and shareholders, we thank you for your confidence and support. We look forward to a profitable future for the company as we continue to meet the growing and ever-changing wireless needs of the communities and customers we serve.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'T. Skidmore', written in a cursive style.

THOMAS E. SKIDMORE

Chairman, President
and Chief Executive Officer



GLENTEL'S WIRELESS BUSINESS DIVISION provides customers with integrated wireless voice and data management solutions for anytime, anywhere communications. With ten Wireless Business Centres across Canada, and more than 40 years of experience in wireless communications, we have the largest technical service staff of its kind in the country to develop, install, and support a broad range of end-to-end solutions.

Our **Service Engineering Support** people are at the heart of every Glentel solution. Their expertise in managing systems design and network integration is critical to success in our three core competencies: **Terrestrial Radio Systems**, **Satellite Network Services**, and **Advanced Mobile Solutions**. The breadth and depth of Service Engineering's product knowledge, technical expertise, and experience in product and market development enable Glentel to work with our partners to connect all the various elements to create customised solutions that meet each customer's unique needs, from entry-level up to sophisticated, integrated wireless solutions, all with the goal of making wireless simple.

Over the years, we have established strong strategic relationships with industry-leading network and manufacturing partners/suppliers, including Motorola, Tait, Mobile Data Systems, Vertex Standard, Zetron, Canon, Canopy, Dragonwave, and Orthogon in Terrestrial Radio Systems; Mobile Satellite Ventures, Telesat, and Globalstar in Satellite Network Services; and CES Wireless Technologies, Mobile Computing Corp., @Road, LoadTrak, Rogers Wireless, and Bell Mobility in Advanced Mobile Solutions. These relationships are crucial to Glentel's ability to connect all the pieces of the puzzle and provide complete, unique solutions that integrate hardware, software, network access, airtime usage, system maintenance, on-going service, and support.

With the right people, products, and partners, Glentel is developing solutions in an ever-expanding range of vertical markets across North America as part of a carefully planned growth strategy. These markets include public safety and emergency services, oil and gas, forestry, mining, transportation, taxi and courier companies, legal firms, tourism, transit, and utilities. With each expansion into a new market, we expand our expertise as well. In the wake of the widespread power failure in eastern North America in 2003, organizations became increasingly aware of the need to have alternate communications systems.

In 2004, Glentel will focus on applying our people's expertise, product knowledge, and our partners' capabilities, to further develop solutions for critical areas such as emergency preparedness and response, water and wastewater management, well-site monitoring, and hydroelectric facilities.

Business Diversity



EXPANDING EXPERTISE. At the end of 2003, Glentel acquired Mobilcom Wireless, a wireless integrator with expertise in terrestrial radio systems and an industry leader in wireless broadband. With increasing demand for high bandwidth solutions for intra- and inter-office data and voice communications, the acquisition gives Glentel a tremendous competitive edge in this growing wireless broadband market.

New supply partners such as Orthogon are bringing technological advantages through non-line-of-sight wireless equipment, enabling Glentel to provide reliable communications across obstructed radio paths. With Canon's free-space optics – or "fibreless fibre" – that utilize laser beams, we can provide extremely high-speed communications over line-of-sight distances up to two kilometres.

Glentel's wireless solutions now have even more ways to provide secure, cost-effective, high-speed, last-mile solutions to an infinite variety of communications challenges.

A YEAR OF CITIES... In 2003, Glentel contracted to supply numerous municipalities with communications solutions, including a dispatch control system for the City of Edmonton transit, a mobile data system for fire and paramedic services in the City of Winnipeg, remote water-management for Chilliwack, BC, and a water monitoring and metering system for Coquitlam, BC.

Glentel also dramatically expanded its VSAT satellite solutions, with a 40% growth in VSAT network applications including monitoring oil & gas pipelines from Canada through the US.

The Wireless Business Division excels in connecting innovative people, products, and partners to create unique, integrated wireless voice and data solutions for business, government, and industry. We continue broadening the ways we apply technology to meet the ever-expanding vision for end-to-end wireless communication solutions.



WIRELESSWAVE, WITH 19 NEW STORES IN 2003, continues its dynamic growth across Canada as one of the country's fastest-growing retail chains. From its first store in 1997, WirelessWave has expanded to 69 in-line stores and kiosks in high-traffic malls in four provinces: British Columbia, Alberta, Manitoba and Ontario. Propelled by a dramatic increase in revenue, 2003 proved to be our best year ever for both top- and bottom-line performance. Despite strong downward pressure on prices, staying with our disciplined growth strategy enabled us to maintain our margins and continue funding expansion from within.

Three main elements are driving this success. One is the quality of our people. In 2003, management again raised the bar on our training, which has traditionally led the industry. With training facilitators now on staff across the country, and the WirelessWave Academy's four levels of training for every sales rep, we are building a long-term investment. Intensive, ongoing training makes our people the "wireless experts" who demystify technology for the customer and provide unbiased information that makes cellular simple. It provides the knowledge and skill sets they need to create a "Wow!" experience that keeps customers coming back – and sets WirelessWave apart from big box retailers.

The second major piece to the puzzle is our broad range of product choice, supported by industry-leading knowledge and service that creates superior value. In 2003, upgrades to our internal systems and Intranet gave sales, management, and administration instant access to the latest product knowledge and business intelligence for price, concept, and product development. It's one more example of how we empower WirelessWave people at every level so that we can move quickly as a company to meet changing market opportunities.

We share this proactive approach with our strategic network partners: Bell Mobility, Rogers Wireless, and FIDO (Microcell), which is the third key element driving retail success. We work closely with them to build business and consumer awareness of the networks and of WirelessWave as the place to get the right cellular voice and data solution.

By successfully connecting all of these key elements – knowledgeable people, product choice, and network partners – we are able to create a unique WirelessWave experience for every customer.

Retail Growth



A TOP-RANKING RETAILER. An integral part of the success of WirelessWave is how we work closely with our cellular network partners to grow our business – and theirs – through product sales, training, advertising, and sponsorship. Partnering with other strong brand leaders is an effective way to build market and consumer awareness. In 2003, WirelessWave was the #1 retailer in Canada with Bell Mobility, and the #2 retailer with both Rogers Wireless and FIDO (Microcell).

THE WIRELESSWAVE KEEPS ROLLING. Last year we opened 19 new stores, including our first two stores in Manitoba and three stores in Ottawa. Over the past seven years, we've grown to 69 in-line stores and kiosks in malls across the country.

With huge potential for continued expansion, we see no end to the WirelessWave experience for consumers across Canada.

There's always something new in cellular voice and data: camera phones, wireless web surfing, interactive gaming, mobile e-mail, and bluetooth accessories. And WirelessWave always has it, because we have the products, the partners, and the people that keep us on the virtual doorstep to innovation in cellular communications for consumers.

CORE BUSINESSES, STRATEGY, AND VISION

Glentel operates in two distinguishable industry segments providing wireless communication solutions. The WirelessWave Retail Division operates in major shopping malls in Canada, providing cellular products and services to customers while offering a choice of cellular carrier. The Wireless Business Division provides its customers with integrated wireless solutions in three core areas: terrestrial radio systems, satellite network services, and advanced mobile solutions.

2003 was a pivotal year for Glentel. Through the growth of WirelessWave and a focused business plan in the Wireless Business Division, the Company increased sales 34% and operating income, before income taxes, 116% over the previous year.

In the WirelessWave Retail Division, the emphasis on growth resulted in the addition of 19 new stores, bringing the total to 69 corporate-owned mall-based stores. With the increased critical mass of our market channel, additional benefits are now being achieved. The leveraging of these benefits has translated into a 58% increase in the division's operating income over the previous year.

In the Wireless Business Division, a redefined business plan started in 2002 has created an environment for new opportunities to be fostered. Through the combined efforts of our engineering and sales teams, system integration contracts with the City of Winnipeg and the City of Edmonton were achieved. In addition, the opportunity and decision to acquire Mobilcom Wireless Inc. ("Mobilcom"), a competitor of the Wireless Business Division in Alberta, was strategic and a complement to our objectives.

In the Corporate General and Administrative Division, efforts continue to be focused on improvements to management reporting, systems infrastructure, and marketing initiatives to support the needs of the expanding WirelessWave and Wireless Business Divisions.

OPERATING RESULTS

The Company reported a 34% increase in sales, to \$75.1 million for the year ended December 31, 2003, compared to \$55.9 million the previous year. Operating income before interest and taxes grew to \$5.5 million, compared to \$2.6 million in 2002, and as a percentage of sales was 7.3% and 4.6% respectively. Net income for the year ended December 31, 2003 was \$3.6 million, after income tax expense of \$1.9 million, or \$0.45 income per share compared to net income in 2002 of \$3.6 million, including an income tax recovery of \$1.1 million, or \$0.45 income per share in 2002.

WirelessWave Retail Division

Sales of cellular products and services by the WirelessWave Retail Division grew 52% to \$51.6 million, compared to \$33.9 million in 2002. During the year, the division added 19 new stores, bringing the total number of mall-based stores to 69 at December 31, 2003. The success in WirelessWave was echoed by a 27% increase in the same-store cellular activations in the fourth quarter for the stores that were open throughout both fiscal periods, and pushed the 2003 annual increase in same-store activations to 7%, compared to 5% the previous year.

The increased brand awareness of WirelessWave, combined with the strategic decisions in store openings, made a very positive impact on the 2003 operating results of the division. Operating income before interest and taxes, for the WirelessWave Retail Division, increased to \$8.9 million in 2003, compared to \$5.6 million in 2002, and as a percentage of sales increased to 17.2% compared to 16.6% last year.

Wireless Business Division

Sales of terrestrial radio systems, satellite network services, advanced mobile solutions, and service/engineering support by the Wireless Business Division were \$23.4 million, compared to \$22.0 million in 2002. Through a redefined business plan initiated by new management in 2002, the division was able to achieve some major milestones in 2003. Leveraging its core competencies has resulted in successfully landing new system integration contracts, including recently announced contracts with the City of Winnipeg and the City of Edmonton that are to be delivered in early 2004. On December 30, 2003, the Company acquired Mobilcom, a competitor of the Wireless Business Division in Alberta. The

acquisition of Mobilcom strengthens our Alberta presence in both breadth and depth in all areas of expertise: sales, service, products, and technical support. During the third quarter, the division consolidated its Ontario operations, and a one-time charge of \$347,000 was recorded against its operating income. With these achievements the division is positioned to capitalize on the growing demand for products and services in the emergency response and safety industry that is occurring following the wide-scale regional disasters that took place in Canada and the United States during 2003.

Operating income before interest and taxes, for the Wireless Business Division, after a one-time charge of \$347,000, improved to \$653,000 in 2003, compared to \$579,000 in 2002, and as a percentage of sales was 2.8% compared to 2.6% last year.

Corporate Operations

In the Corporate General and Administrative Division, administrative and marketing services are managed centrally and are not allocated directly to the operating divisions. During the year, improvements were achieved in the management information systems and communications infrastructure to service the needs of the growing organization. These benefits were realized while the general and administrative expenses remained relatively flat at \$4.1 million for the year compared to a normalized \$3.9 million the previous year, which ignores a one-time benefit of \$300,000 related to the reversal of an accrued expense from previous years. Managing marketing services centrally has contributed to a consistent cost-effective marketing model for developing creative and brand awareness for both divisions.

LIQUIDITY AND CAPITAL RESOURCES

Working capital improved to \$9.2 million at December 31, 2003, compared to \$8.5 million the previous year. However, the cash balance was reduced to \$688,000 at December 31, 2003, compared to \$2.5 million the previous year. This was a result of the WirelessWave Retail Division employing approximately \$4.0 million of working capital in the fourth quarter to finance an anticipated inventory shortage in the marketplace during the Christmas season. In addition, the cellular carriers made a change to their programs in the last half of the year that resulted in a shift in timing of their payments to us during this period. Subsequent to the year end, inventory balances have been reduced to normal levels, and the renegotiated credit terms were accepted by the carriers and their account balances have been reduced to normal.

During the year, the Company arranged a \$2.5 million revolving operating facility with a major Canadian chartered bank. The facility bears interest at bank prime rate plus 1% and is secured by a general security agreement over the Company's assets. The bank indebtedness was \$688,000 at December 31, 2003.

As at December 31, 2003, letters of credit totaling \$140,000 have been issued during the year and remain outstanding as performance guarantees under the terms of certain contracts in the normal course of business.

At December 31, 2003, the total debt to equity ratio was 0.98 compared to 0.68 in 2002. Total assets increased to \$43.2 million at December 31, 2003 compared to \$30.4 million last year.

The Company anticipates that its cash flow and marketable securities will be sufficient to fund future operations. The Company's immediate plan is to continue to finance its planned growth through internally generated funds.

ACQUISITION OF BUSINESS

On December 30, 2003, the Company acquired 100% of the outstanding shares of Mobilcom Wireless Inc. for \$1, and assumed an amount due to former shareholders of \$828,000. On December 31, 2003, Mobilcom was wound up into the Company. The net assets acquired at fair value include: accounts receivable, inventory, prepaid expenses, property and equipment, future income tax asset, and goodwill, totaling \$3.4 million less liabilities assumed of \$2.6 million.

CHANGE IN ACCOUNTING POLICY

In 2003, the Company adopted prospectively the new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock-based payments. These

recommendations require the application of the fair value method to account for stock-based compensation and other stock-based payments. In 2002, the Company applied the fair value method to account for stock options granted to non-employees, and the intrinsic value for stock options granted to employees. The effect of this change in 2003 was to decrease net income by \$22,000 and to increase contributed surplus by \$22,000.

RELATED PARTY TRANSACTIONS

During the year, the Company was charged an annual fee of \$250,000 by its majority shareholder, TCG International Inc. ("TCG"), for the managerial services of the Chief Executive Officer. Certain other operating and administrative services provided to the Company by TCG resulted in an additional fee of \$250,000 as agreed to by the Board of Directors. In addition, \$1,935,000 was paid related to construction services provided by a subsidiary of TCG in connection with the renovations and opening of new stores in 2003. As at December 31, 2003, the Company owed TCG \$57,000 (2002 - \$156,000).

RISKS AND UNCERTAINTIES

The WirelessWave Retail Division continues to expand its locations in a competitive industry sector. Its major product offering is cellular phones and accessories that are provided by a limited number of highly price-competitive and market-share driven carriers, who effectively set retail margins for these products.

An important aspect of the WirelessWave Retail Division's strategy has been to achieve a critical mass so that carriers find the division's continued success to be imperative for their own success. In assembling the critical mass, the Company has committed to long-term lease obligations for store premises, as summarized in note 15 of the financial statements.

The Wireless Business Division provides business communication solutions for both voice and data transmission in a technology sector that, by definition, is constantly changing. Its product offering is to provide complete turnkey integrated wireless business solutions in the terrestrial, satellite, and new advanced mobile communications markets.

Key to the success is to maintain the focus on delivering these integrated voice and data communications solutions to the core markets of its expertise in terrestrial, satellite, and advanced mobile communications technology that the division was built upon.

Although the Company intends to finance its planned growth through internally generated funds, this does limit the Company's expansion opportunities to only that amount that will be available.

OUTLOOK FOR 2004

In the WirelessWave Retail Division, following 2003's expansion, an aggressive expansion plan is again scheduled for 2004, with approximately 18 new retail mall-based stores planned. Additional revenue benefits can be expected as the carriers recognize their successes through the WirelessWave branding and channel to market. Sales will increase due to the maturing of stores opened during the past two years and the impact of additional new stores in 2004. Demand for cellular products and services continues to be strong, and higher residual income is projected as a result of the growth in the total subscriber base from activations.

In the Wireless Business Division, increased revenue and operating profits can be expected from the synergies created following the integration of Mobilcom. Further opportunities for consolidation should present themselves to the Wireless Business Division during the year, as the desire for national support becomes a critical component of a communications solution decision by our customers.

2003 was a very satisfying year for the management team at Glentel. The WirelessWave Retail Division's growth and operating results met goals that were set at the beginning of the year, while in the Wireless Business Division the changes and opportunities that were finalized in late 2003 have set the stage to benefit its operations in 2004. We are anticipating another successful year in 2004.

Management's Report to the Shareholders

The consolidated financial statements and the management's discussion and analysis of financial condition and results of operation ("MD&A") are the responsibility of the management of Glentel Inc. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgement of all information available up to March 5, 2004.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with financial officers of the Company, and annually with the external auditors, to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors, who approve the consolidated financial statements.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in note 4 of the notes to the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte & Touche LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.



THOMAS E. SKIDMORE

Chairman, President and
Chief Executive Officer

Burnaby, British Columbia
March 5, 2004



DALE B. BELSHER

Chief Financial Officer

Auditors' Report

To the Shareholders of Glentel Inc.

We have audited the consolidated balance sheets of Glentel Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, British Columbia
March 5, 2004

CONSOLIDATED BALANCE SHEETS

December 31 (In thousands of dollars)

	2003	2002
ASSETS		
CURRENT		
Cash	\$ 688	\$ 2,536
Marketable securities (Note 5)	449	465
Accounts receivable	14,450	8,114
Income taxes receivable	-	75
Current portion of leases receivable (Note 6)	35	138
Inventory	11,012	7,154
Prepaid expenses	589	434
Current portion of future income tax benefits	1,320	491
	28,543	19,407
LEASES RECEIVABLE (Note 6)	-	35
PROPERTY AND EQUIPMENT (Note 7)	12,197	10,258
DEFERRED PENSION COSTS (Note 8)	190	189
GOODWILL (Note 2)	918	-
FUTURE INCOME TAX BENEFITS	1,336	499
	\$ 43,184	\$ 30,388
LIABILITIES		
CURRENT		
Bank indebtedness (Note 9)	\$ 688	\$ -
Accounts payable and accrued liabilities	15,521	9,723
Income taxes payable	1,538	-
Current portion of deferred extended warranty revenue (Note 10)	1,493	984
Current portion of long-term debt (Note 11)	105	189
	19,345	10,896
DEFERRED EXTENDED WARRANTY REVENUE (Note 10)	1,923	1,385
LONG-TERM DEBT (Note 11)	66	63
	21,334	12,344
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	18,194	33,536
Contributed surplus (Note 13)	22	1,158
Retained earnings (Deficit)	3,634	(16,650)
	21,850	18,044
	\$ 43,184	\$ 30,388
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)		

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31 (In thousands of dollars except per share amounts)

	2003	2002
Sales	\$ 75,058	\$ 55,937
Cost of sales	40,510	29,721
Operating and administrative expenses	25,709	20,673
Income before interest, taxes and amortization	8,839	5,543
Amortization, other than extended warranty sales	3,376	2,959
Operating income before interest and taxes	5,463	2,584
Interest income	78	84
Interest expense - long-term	(24)	(110)
Income before taxes	5,517	2,558
Income tax (expense) recovery (Note 16)	(1,883)	1,067
Net income	\$ 3,634	\$ 3,625
Basic net income per share (Note 12 (d))	\$ 0.45	\$ 0.45
Fully diluted net income per share (Note 12 (d))	\$ 0.40	\$ 0.43

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

Years ended December 31 (In thousands of dollars)

	2003	2002
Deficit, beginning of year	\$ (16,650)	\$ (20,275)
Elimination of deficit (Note 12 (b))	16,650	-
Net income	3,634	3,625
Retained earnings (Deficit), end of year	\$ 3,634	\$ (16,650)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (In thousands of dollars)

	2003	2002
OPERATING ACTIVITIES		
Net income	\$ 3,634	\$ 3,625
Items not affecting cash:		
Stock-based compensation	22	-
Amortization, other than deferred extended warranty sales	3,376	2,959
Amortization, deferred extended warranty sales	(1,325)	(797)
Future income taxes	(758)	(442)
	4,949	5,345
Cash used for working capital	(4,344)	(4,549)
Deferred extended warranty revenue	2,376	1,645
	2,981	2,441
FINANCING ACTIVITIES		
Increase in bank indebtedness	688	-
Issuance of share capital	150	23
Repayment of long-term debt	(81)	(534)
	757	(511)
INVESTING ACTIVITIES		
Additions to property and equipment, net	(4,937)	(2,759)
Acquisition of business, net of bank indebtedness acquired	(800)	-
Proceeds from sale of investments	12	-
Reduction in lease receivable	138	138
Increase in deferred pension costs	1	(59)
	(5,586)	(2,680)
NET CASH OUTFLOW	(1,848)	(750)
CASH POSITION, BEGINNING OF YEAR	2,536	3,286
CASH POSITION, END OF YEAR	\$ 688	\$ 2,536
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 24	\$ 110
Income taxes paid	\$ 1,050	\$ 499

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002 (In thousands of dollars except per share amounts and amounts in narrative)

1. NATURE OF BUSINESS

Glentel Inc. operates two distinct businesses. The WirelessWave Retail Division provides personal cellular communications products to consumers via retail mall-based outlets, and the Wireless Business Division provides wireless systems integration; designing and commissioning wireless networks for commercial applications.

2. ACQUISITION OF BUSINESS

On December 30, 2003, the Company acquired the outstanding shares of Mobilcom Wireless Inc. ("Mobilcom") for \$1. On December 31, 2003, Mobilcom was wound up into the Company.

The net assets acquired at fair value were as follows:

Accounts receivable	\$	656
Inventory		457
Prepaid expenses		54
Property and equipment		379
Future income tax asset		907
Goodwill		918
		3,371
Liabilities assumed		(2,543)
Amounts due to former shareholders		(828)
Total acquisition cost	\$	-

3. CHANGE IN ACCOUNTING POLICY

In 2003, the Company adopted prospectively the new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock-based payments. These recommendations require the application of the fair value method to account for stock-based compensation and other stock-based payments, as described in Note 4 (h). In 2002, the Company applied the fair value method to account for stock options granted to non-employees and the intrinsic value method for stock options granted to employees.

The effect of this change in 2003 was to decrease net income by \$22,000 and increase contributed surplus by \$22,000.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated under the Canada Business Corporations Act. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles:

(a) Basis of presentation

The financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated upon consolidation.

(b) Marketable securities

Marketable securities are stated at the lower of cost and market.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value.

(d) Property and equipment

Property and equipment are recorded at cost. Amortization is computed on the declining balance basis, except for rental equipment which is on the straight-line basis. Annual rates to amortize the cost of capital assets over their estimated useful lives are as follows:

Buildings	4%
Rental equipment	2 to 5 years
Equipment	10% to 30%
Software	30%

Leasehold improvements are amortized over the terms of the respective leases, including the first renewal option.

(e) Revenue recognition

Revenue is recognized upon delivery of goods or services and when collection is reasonably assured.

Rental revenue from rental of equipment is recognized over the period of the lease.

Extended warranty sales are deferred and amortized to sales in the statement of operations on a straight-line basis over the warranty period.

(f) Net income per share

Basic income per share has been calculated using the monthly weighted average number of common shares outstanding during the year. Fully diluted earnings per share is calculated by application of the treasury stock method for stock options.

(g) Income taxes

Future income taxes, when recognized, reflect the tax effect, using enacted tax rates, of differences between the book and tax bases of assets and liabilities and the anticipated benefit of losses carried forward for income tax purposes.

(h) Stock-based incentive plans

The Company has granted options to selected directors, officers, employees and consultants. The Company accounts for its grants using the fair value method of accounting for stock-based compensation. Accordingly, the fair value is measured at the grant date and is charged to operations in the period the options are granted, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options is charged to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002 (In thousands of dollars except per share amounts and amounts in narrative)

(i) Foreign currency

Transactions denominated in U.S. dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

(j) Pension costs

Pension costs are charged to income as they accrue. In determining pension expense, the unrecognized pension surplus or liability, adjustments arising from changes in actuarial assumptions, and experience gains and losses are being amortized on a straight-line basis over the expected average remaining service life of the employee group. The assets of the pension plans are valued at market values.

(k) Financial instruments

The Company's financial instruments include cash, accounts receivable, leases receivable, accounts payable and accrued liabilities, and long-term debt. The fair value of financial instruments approximates carrying value. Market values of investments in marketable securities have been disclosed in Note 5.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, inventory, and property and equipment, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. MARKETABLE SECURITIES

	2003	2002
Investments in shares of other public companies, market value - \$886 (2002 - \$470)	\$ 449	\$ 465

6. LEASES RECEIVABLE

The leases represent capital equipment leases yielding interest at 10% per annum and maturing in 2004.

7. PROPERTY AND EQUIPMENT

			2003	2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 114	\$ -	\$ 114	\$ 114
Building	41	13	28	30
Leasehold improvements	8,515	3,619	4,896	3,972
Equipment	8,445	4,255	4,190	3,610
Rental equipment	8,587	7,403	1,184	976
Software	2,668	973	1,695	1,483
Leased equipment	422	332	90	73
	\$ 28,792	\$ 16,595	\$ 12,197	\$ 10,258

Rental income generated from the rental of equipment amounted to \$2,251,000 (2002 - \$2,950,000).

8. EMPLOYEE FUTURE BENEFITS

Information about the Company's defined benefit pension plan in aggregate, as at December 31 is as follows:

	2003	2002
PLAN ASSETS		
Fair value at beginning of year	\$ 1,820	\$ 1,808
Actual return on plan assets	183	(39)
Employer contributions	197	211
Employees' contributions	122	133
Benefits paid	(54)	(293)
Fair value at end of year	\$ 2,268	\$ 1,820
ACCRUED BENEFIT OBLIGATION		
Balance at beginning of year	\$ 1,846	\$ 1,687
Current service cost	212	189
Employees' contributions	122	133
Interest cost	310	130
Withdrawals and benefits paid	(54)	(293)
Balance at end of year	\$ 2,436	\$ 1,846
Funded status - plan deficit	\$ (168)	\$ (26)
Unamortized net actuarial losses	676	586
Unamortized transitional assets	(318)	(371)
Deferred pension costs	\$ 190	\$ 189

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2003	2002
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	4.0% - 4.5%	4.0% - 4.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002 (In thousands of dollars except per share amounts and amounts in narrative)

The Company's net benefit plan expense is as follows:

	2003	2002
Current service cost	\$ 212	\$ 189
Interest cost	151	130
Expected return on plan assets	(137)	(128)
Amortization of transitional asset	(53)	(53)
Amortization of experience losses	23	14
	\$ 196	\$ 152

9. BANK INDEBTEDNESS

Bank indebtedness is payable on demand, bears interest at bank prime rate plus 1% and is secured by a general security agreement over the Company's assets. The current lending agreement provides for a \$2.5 million revolving operating facility.

10. DEFERRED EXTENDED WARRANTY REVENUE

	2003	2002
Deferred extended warranty revenue	\$ 3,416	\$ 2,369
Less: Amounts to be amortized within one year	1,493	984
Long-term portion of deferred extended warranty revenue	\$ 1,923	\$ 1,385

11. LONG-TERM DEBT

	2003	2002
Obligations under capital lease		
Interest rates vary from 7.2% to 16.6%.		
These leases expire between 2004 and 2007.	\$ 171	\$ 252
	171	252
Less: Current portion	(105)	(189)
	\$ 66	\$ 63

The future principal and interest payments on the capital leases are as follows:

	2003	2002
2003	\$ -	\$ 207
2004	125	69
2005	47	-
2006	28	-
2007	7	-
	207	276
Less: Interest	36	24
	\$ 171	\$ 252

12. SHARE CAPITAL*(a) Authorized*

An unlimited number of common shares without par value.

b) Issued

	Common	
	Number	Amount
Balance, December 31, 2001	8,048,345	\$ 33,513
Issued for cash	43,750	23
Balance, December 31, 2002	8,092,095	33,536
Elimination of deficit	-	(16,650)
Contributed surplus	-	1,158
Issued for cash	115,250	150
Balance, December 31, 2003	8,207,345	\$ 18,194

On May 14, 2003, the shareholders of the Company resolved that the share capital of the Company be reduced by \$16,650,000, representing the amount of the deficit at December 31, 2002, and that contributed surplus of \$1,158,000 be added to the share capital of the Company.

(c) Stock-based incentive plans

The details of the Company's share option plan, under which eligible employees, directors and consultants can be granted options to purchase common shares, at a price not less than the market value of the shares at the date granted, are as follows:

	2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	852,250	\$ 1.56	948,000	\$ 3.04
Granted	255,000	1.78	198,000	0.95
Exercised	(115,250)	1.30	(43,750)	0.53
Relinquished and expired	(12,000)	0.95	(250,000)	7.00
Outstanding at end of year	980,000	\$ 1.66	852,250	\$ 1.56
Options exercisable at end of year	709,250	\$ 1.77	600,500	\$ 1.71

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at Dec 31, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Dec 31, 2003	Weighted Average Exercise Price
\$0.55 to \$0.95	334,000	6.33 years	\$ 0.76	175,000	\$ 0.63
\$1.70 to \$1.80	256,000	7.02 years	1.71	136,000	1.71
\$2.01 to \$3.10	390,000	5.61 years	2.39	398,250	2.36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002 (In thousands of dollars except per share amounts and amounts in narrative)

Options granted to directors are exercisable immediately and expire after ten years. All other options are exercisable on the basis of 25% of the options per year on a cumulative basis, beginning after one year and expiring after ten years. The maximum number of shares issuable pursuant to the option plan shall not exceed 2,000,000.

(d) Additional disclosures

(i) Stock options granted to employees

The following pro forma financial information presents the net income and the net income per share using the fair value method for all stock options granted during 2002 to directors, officers and employees:

	2003	2002
Net income for the year	\$ 3,634	\$ 3,625
Additional stock-based compensation cost	(22)	(9)
Pro forma net income	\$ 3,612	\$ 3,616
Pro forma basic net income per share	\$ 0.45	\$ 0.45
Pro forma diluted net income per share	\$ 0.40	\$ 0.43

The weighted average grant-date fair value of stock options granted in 2003 was \$1.11 (2002 - \$0.56). The fair values of these options were determined using a Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2003	2002
Risk-free interest rate	3.67%	3.97%
Expected life	5 years	5 years
Weighted-average share price volatility	72.70%	67.46%
Expected dividends	\$ -	\$ -

(ii) Income per share

Reconciliation of dilution of basic earnings per share for the years ended 2003 and 2002 is as follows:

	2003		
	Net income	Weighted Average Number of Common Shares	Net Income Per Share
Basic net income per share	\$ 3,634	8,116,777	\$ 0.45
Stock option plan	-	980,000	(0.05)
Fully diluted net income per share	\$ 3,634	9,096,777	\$ 0.40

	2002		
	Net income	Weighted Average Number of Common Shares	Net Income Per Share
Basic net income per share	\$ 3,625	8,062,640	\$ 0.45
Stock option plan	-	402,750	(0.02)
Fully diluted net income per share	\$ 3,625	8,465,390	\$0.43

13. CONTRIBUTED SURPLUS

	2003	2002
Balance, beginning of year	\$ 1,158	\$ 1,158
Applied to share capital (Note 12 (b))	(1,158)	-
Stock-based compensation charged to operations	22	-
Balance, end of year	\$ 22	\$ 1,158

14. RELATED PARTY TRANSACTIONS

The Company had the following transactions with its majority shareholder:

	2003	2002
Management fees	\$ 250	\$ 250
Operating and administrative expenses	250	362
Construction services - stores	1,935	1,596

As at December 31, 2003, the Company owed its majority shareholder \$57,000 (2002 - \$156,000).

15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The future minimum operating lease and maintenance commitments of the Company are as follows:

2004	\$ 4,075
2005	3,861
2006	3,171
2007	2,492
2008	1,613
Subsequent years	2,485
	<u>\$ 17,697</u>

(b) Legal actions have been commenced against the Company in connection with various matters arising during the normal course of business activities. Management is of the opinion that the cost of settling and defending such actions will not be significant and, accordingly, no provision for losses has been reflected in these financial statements.

(c) Letters of credit totaling \$140,000 (2002 - \$Nil) have been issued as security for the Company's obligations under a contract.

(d) Canada Revenue Agency ("CRA") has recently proposed to the Company that a specific prior period capital loss may have been reported prematurely. Management has provided information that they believe will validate the timing of the transaction. In the meantime the Company is uncertain as to the outcome of the inquiry, and related financial exposure, if any. Adjustment, if any, will be reported following completion of discussions with CRA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002 (In thousands of dollars except per share amounts and amounts in narrative)

16. INCOME TAXES

The components of the income tax expense are as follows:

	2003	2002
Current (expense) recovery	\$ (2,641)	\$ 625
Future recovery (expense)	240	(867)
Tax benefits not previously recognized	518	1,309
Net tax (expense) recovery	\$ (1,883)	\$ 1,067

The Company has non-capital losses carried forward of \$1,977,000 (2002 - \$380,000) that expire in 2009 and 2010 for which the benefit has been recorded.

The Company had additional timing differences and capital losses carried forward for income tax purposes of approximately \$3,351,000 as at December 31, 2003 for which no benefit was recognized. \$3,351,000 (2002 - \$3,946,000) relates to losses upon sale of investments for which future benefits, if any, will be restricted to one half of enacted rates. The benefit, if any, of these timing differences will be recognized when realized.

The provision for income taxes reported differs from the amount calculated by applying the Canadian statutory tax rate to income before taxes for the following reasons:

	2003	2002
Income before taxes	\$ 5,517	\$ 2,558
Statutory rate	37%	40%
Expected expense for tax purposes	\$ (2,041)	\$ (1,023)
Non-deductible expenses	(28)	(31)
Tax benefit of timing differences and losses carried forward, not previously recognized	518	1,693
Other adjustments	(332)	428
	\$ (1,883)	\$ 1,067

The components of the future income taxes are as follows:

	2003	2002
Future income tax assets		
Deferred extended warranty revenue	\$ 1,231	\$ 853
Property and equipment	467	433
Investments	324	475
Intangible assets	120	-
Accrued liabilities	144	118
Deferred gain	52	67
Capital losses	279	284
Non-capital losses	712	137
	3,329	2,367
Less: Valuation allowance	(603)	(1,309)
	2,726	1,058
Future income tax liability		
Deferred pension costs	70	68
	2,656	990
Less: Current portion	1,320	491
	\$ 1,336	\$ 499

17. SEGMENTED INFORMATION

The Company operates in two distinguishable industry segments. The Wireless Business Division provides a wide range of terrestrial, satellite, and advanced mobile communications products and services to commercial, government and industrial customers. The WirelessWave Retail Division provides personal communications products and services to consumers.

Information by business segment is as follows:

	2003	2002
Sales to external customers:		
Wireless Business Division	\$ 23,420	\$22,036
WirelessWave Retail Division	51,638	33,901
	75,058	55,937

Income before interest, taxes and amortization:

Wireless Business Division	2,257	2,172
WirelessWave Retail Division	10,461	6,744
Corporate	(3,879)	(3,373)
	8,839	5,543

Amortization, other than deferred warranty sales:

Wireless Business Division	1,604	1,593
WirelessWave Retail Division	1,554	1,116
Corporate	218	250
	3,376	2,959

Operating income before interest income and long-term debt interest expense:

Wireless Business Division	653	579
WirelessWave Retail Division	8,907	5,628
Corporate	(4,097)	(3,623)
	\$ 5,463	\$ 2,584

Assets employed:

Wireless Business Division	\$ 11,839	\$11,505
WirelessWave Retail Division	25,683	14,554
Corporate	5,662	4,329
	\$ 43,184	\$30,388

Net capital expenditures:

Wireless Business Division	\$ 1,688	\$ 1,143
WirelessWave Retail Division	3,153	2,125
Corporate	96	(509)
	\$ 4,937	\$ 2,759



Robert Dodd, Dirk De Vuyst, Allan Skidmore, Thomas Skidmore, Arthur Skidmore, Ronald Sowerby, Gaylord Hazelwood (from left to right)

DIRECTORS

Dirk C.A. De Vuyst, West Vancouver, BC
Robert R. Dodd, New Westminster, BC
Gaylord U. Hazelwood, Cookstown, ON
A. Allan Skidmore, Milner, BC
Arthur Skidmore, West Vancouver, BC
Thomas E. Skidmore, West Vancouver, BC
Ronald E. Sowerby, Coquitlam, BC

OFFICERS

Thomas E. Skidmore
Chairman, President & Chief Executive Officer

A. Allan Skidmore
Vice Chairman

Ronald E. Sowerby
Corporate Secretary

Dale B. Belsher
Chief Financial Officer

David M. Hartman
Vice President, Operations, Retail Division



Cary Skidmore, Thomas Skidmore, David Hartman, Dale Belsher, Daniel Lowndes (from left to right)

OPERATIONS EXECUTIVE

Thomas E. Skidmore
Chairman, President & Chief Executive Officer

David M. Hartman
Vice President, Operations, Retail Division

Daniel H. Lowndes
Vice President, Operations, Business Division

Dale B. Belsher
Chief Financial Officer

Cary T. Skidmore
Vice President, Marketing

ANNUAL MEETING

The company's annual meeting will be held on Wednesday, May 19, 2004 at 9.30 a.m. at the Hilton Vancouver Metrotown in Burnaby, BC

STOCK INFORMATION

Glentel trades on The Toronto Stock Exchange (trading symbol GLN)

TRANSFER AGENT

Shareholders with a change of address or questions about their account should contact the registrar at:

Computershare Trust Company of Canada
510 Burrard Street, Vancouver, BC, CANADA V6C 3B9
Tel 1 800 564 6283, Fax 1 866 249 7775
E-mail: service@computershare.com

WIRELESS BUSINESS CENTRES

BRITISH COLUMBIA	Vancouver
	Fort St. John
ALBERTA	Calgary
	Edmonton
	Grande Prairie
	Lethbridge
	Medicine Hat
	Red Deer
SASKATCHEWAN	Saskatoon
ONTARIO	Hamilton

WIRELESSWAVE STORES

BRITISH COLUMBIA

Abbotsford	Sevenoaks Shopping Centre
Burnaby	Brentwood Town Centre
	Lougheed Town Centre
	Metropolis at Metrotown
Chilliwack	Cottonwood Mall
Coquitlam	Coquitlam Centre
Kamloops	Aberdeen Mall
Kelowna	Orchard Park Mall
Langley	Willowbrook Shopping Centre
Nanaimo	Woodgrove Centre
Penticton	Cherry Lane Shopping Centre
Prince George	Pine Centre
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Vancouver	Oakridge Shopping Centre
	Pacific Centre
Vernon	Village Green Mall
Victoria	Hillside Shopping Centre
	Mayfair Shopping Centre
West Vancouver	Park Royal South

ALBERTA

Calgary	Chinook Centre
	Eaton Centre
	Southcentre
	Marlborough Mall
Edmonton	Kingsway Garden Mall
	Londonderry Mall
	Southgate Centre
	West Edmonton Mall (Phase II)*
	West Edmonton Mall (Phase III)**
Red Deer	Red Deer Centre

MANITOBA

Winnipeg	Polo Park Shopping Centre
	St. Vital Centre

ONTARIO

Barrie	Georgian Mall
Belleville	Quinte Mall
Brantford	Lynden Park Mall
Burlington	Mapleview Shopping Centre
Cambridge	Cambridge Centre
Etobicoke	Cloverdale Mall
	Woodbine Centre
Guelph	Stone Road Mall
Hamilton	Lime Ridge Mall
Kingston	Cataraqui Town Centre
Kitchener	Fairview Park Mall
London	Masonville Place
	White Oaks Mall
Markham	Markville Shopping Centre
Milton	Milton Mall
Mississauga	Erin Mills Town Centre
	Square One Shopping Centre
	(Upper & Lower Level)
New Market	Upper Canada Mall
North York	Fairview Mall
Oshawa	Oshawa Centre
Ottawa	Billings Bridge Plaza
	Carlingwood Shopping Centre
	Place D'Orleans
Peterborough	Lansdowne Place
Pickering	Pickering Town Centre
Scarborough	Scarborough Town Centre
St. Catharines	Pen Centre
Stoney Creek	Eastgate Square
Thornhill	Promenade Shopping Centre
Toronto	BCE Place
	Dufferin Mall
	Hudson's Bay Centre
	TD Centre
	Toronto Eaton Centre
Waterloo	Conestoga Mall
Windsor	Devonshire Mall

